

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Wisconsin Energy Corporation, Integrys Energy)
Group, Inc., Peoples Energy, LLC, The Peoples)
Gas Light and Coke Company, North Shore Gas)
Company, ATC Management Inc., and American)
Transmission Company LLC)

Docket No. 14-0496

)
Application pursuant to Section 7-204 of the Public)
Utilities Act for authority to engage in a)
Reorganization, to enter into agreements with)
affiliated interests pursuant to Section 7-101, and)
for such other approvals as may be required under)
the Public Utilities Act to effectuate the)
Reorganization.)

DIRECT TESTIMONY OF WILLIAM CHEAKS JUNIOR

ON BEHALF OF THE CITY OF CHICAGO AND THE CITIZENS UTILITY BOARD

CITY/CUB EXHIBIT 3.0

NOVEMBER 20, 2014

1 **I. QUALIFICATIONS AND SUMMARY OF TESTIMONY**

2 **Q. What is your name and title?**

3 A. My name is William Cheaks Junior. I am Deputy Commissioner of the Chicago
4 Department of Transportation (“CDOT”) – Division of Infrastructure Management
5 (“DOIM”).

6 **Q. What is your education, training, and experience?**

7 A. I have over 34 years of experience in the construction industry. In those 34 years, I have
8 served in many capacities and levels of construction operations and management. I have
9 worked as a Laborer, Survey Party Chief, Bridge Inspector, Construction Inspector, Earth
10 Work Superintendent for sewer, water, foundations, and site work, Project Manager and
11 Estimator. I have been involved in a variety of types of projects, including utility work,
12 transportation, commercial constructions, foundations, and site work. I have been
13 employed by the City for the past 10 years. Past projects I have worked on include with
14 the City and other employers include: The O’Hare Extension of the Chicago Transit
15 Authority’s Blue Line; The Red Line Extension; The Elgin/O’Hare Expressway; the Port
16 Authority Train Yard in Harrison, New Jersey; the Northeast Boundary Swirl Facility in
17 Washington, D.C.; the I-55/Weber Road Interchange; a Home Depot; Homan Square; a
18 Cineplex Multi-Screen Theatre; Illinois Institute of Technology Dormitories; and the
19 University Center of Chicago Dormitories. I attended Triton College for the Construction
20 Technology program.

21 **Q. What are your duties at CDOT?**

22 A. My core responsibilities are providing oversight for 100+ employees in the Office of
23 Underground Coordination (“OUC”), the Citizens Utility Alert Network (“DIGGER”),
24 the Public Way Permit Office, the Project Coordination Office (“PCO”) and Public
25 Right-of-Way Enforcement. I established the PCO from concept to implementation in
26 mid- 2011 in an effort to save all stakeholders money, time, and hassle.

27
28 Previously, I provided oversight for CDOT’s Division of In-House Construction in 2004
29 - 2008. I was responsible for a \$50 million operating and maintenance budget with 500+
30 employees. Maintenance programs included vaulted sidewalk repair, bridge repairs, pot
31 hole patching, and pavement markings. Construction programs included the Capital
32 Improvement Program (“Menu”) which consisted of street and alley resurfacing along
33 with sidewalk and curb and gutter replacement. I also implemented an inventory system
34 for loss prevention.

35 **Q. On whose behalf are you testifying today?**

36 A. I am testifying on behalf of the City of Chicago and the Citizens Utility Board.

37 **Q. Have you testified before the Illinois Commerce Commission or any other court or**
38 **administrative proceeding?**

39 A. No.

40 **Q. What conclusions do you reach in your testimony?**

41 A. I conclude that:

1. Enhanced Illinois Commerce Commission (“ICC” or “Commission”) oversight of Peoples Gas Light and Coke Company’s (“PGL”) Accelerated Main Replacement Program (“AMRP”) is needed to protect the interests of PGL’s customers in the City of Chicago (“City”), if the proposed reorganization is approved.
2. The commitments proposed by the Joint Applicants (“JA”) with respect to AMRP do not, as written, ensure that the interests of PGL’s customers will be protected. In particular, continuing the current day-to-day operational merely perpetuates unacceptable construction management performance.
3. Given the proposed transfer of upper level management decision-making on funding for PGL’s AMRP to an out of state entity, the ICC should attach conditions sufficient to protect the interests of PGL’s customers. At a minimum, those conditions should include the following:
 - a. Require a weekly, block-by-block schedule of construction activities be given to CDOT and the ICC, provided on a five-year, annual, and monthly basis.
 - b. Require that any Field Order Authorizations or Change Orders be communicated within 24 hours to CDOT.
 - c. Require the newly formed entity to actively participate in CDOT’s dotMaps website in order to better collaborate with all occupants of the Public Way.
 - d. Require that PGL improve their performance in the following categories, with financial penalties for failure to improve, penalties that cannot be recovered from PGL’s ratepayers:

- i. Permitted timeframe adherence (being on schedule more often)
 - ii. Approved capital and O&M spend adherence (being on budget more often)
 - iii. Change Order spending and communication
 - iv. Management Reserve spending and budgeting
 - v. Time needed to close Field Order Authorizations and Change Orders
 - vi. Contractor Hits on all facilities
- e. Require that the new entity consolidate training operations, including for AMRP work, at a training facility located in the City of Chicago (as is further testified to by Christopher Wheat in City/CUB Exhibit 1.0).

II. INTRODUCTION AND BACKGROUND

Q. What is PGL's AMRP?

A. The AMRP is an acceleration of a pre-existing main replacement program that contemplates completion over the next 20 years, during which time PGL plans to: (1) replace all of its cast-iron and ductile-iron gas mains and service pipes; (2) upgrade its distribution system from low to medium pressure; and (3) relocate gas meters from inside to outside customer facilities. JA Ex. 1.0 at 18:397-400. The project is important to the safety and adequacy of gas delivery utility service in Chicago. In their application filing, the JA offers to commit to continue AMRP if the proposed reorganization is approved, but subject to the conditions that: (1) Rider Qualifying Infrastructure Plant ("QIP") remains in effect and (2) PGL will be able to change its base rates to reset the Rider QIP

cap. JA Ex. 1.0 at 19:403-410. In 2014 and 2015 alone, PGL expects to spend \$536 million in capital expenditures related to AMRP, representing approximately two-thirds of what capital expenditures the Company expects to make over that time period. City-CUB Ex. 3.1 (JA DRR to Staff ENG 1.02).

Q. What do the JA mention in their testimony or data request responses with regard to AMRP?

A. In their testimony submitted so far, the Joint Applicants do not mention the previous audit performed of PGL's pipe replacement program. That audit, performed by PwC, a consulting firm, resulted in various recommendations to improve PGL's management and operation of the large capital expenditure program that is PGL's AMRP. CUB Ex. 3.1 (JA DRR to Staff ENG 3.05, Attach 01). From browsing the lengthy audit report, it appears to me that PGL understood at least some of the problems with their pipe replacement program, and the Company appeared to fully comprehend the audit's recommendations to integrate risk management processes, cost control procedures, project management scheduling, and the development of robust metrics with detailed requirements. Nevertheless, it appears that PGL did not implement these measures, if at all, until August of 2014 – just a few months ago.

Q. What do the JA mention about the audit currently being conducted by Liberty Consulting Group of PGL's AMRP?

A. According to the JA's direct testimony, WEC intends to "carefully review those [audit] results and, after closing, ensure that Peoples Gas will work to coordinate with the City of Chicago in the execution of the AMRP." JA Ex. 1.0 at 20:434-436. The nature of the

recommendations from the earlier audit, and the City of Chicago's own observations, highlight coordination with other stakeholders, construction oversight, and project management as areas of concern in this major project. All those areas are likely to be affected by a reorganization like that proposed by the JA. Critical decisions like funding, pace of construction, and coordination with the City for work in Public Ways (in the event of reorganization approval) will ultimately no longer be made by management personnel sitting atop the aged infrastructure now being replaced.

Q. How are ratepayer interests implicated by the costs associated with PGL's AMRP?

A. I am not an attorney, but it is my understanding that a significant amount of revenues based on AMRP have been approved for recovery from PGL's ratepayers in the last two rate cases. Moreover, between 2014 and 2015, PGL expects the O&M amounts associated with AMRP to increase by approximately 100%, including costs for field safety, document control, quality management, community relations, consulting rates, and safety training. CUB Ex. 3.1 (JA DRR to Staff ENG 3.03).

However, as the audit report suggests, and City personnel have concluded, significant portions of those costs are attributable to remedial work that could be eliminated by fixing PGL's management deficiencies. In my view, the costs of fixing non-compliant work should not be borne by PGL's customers. In fact, I believe that PGL's ratepayers should see the benefits of specific initiatives for improved coordination with City departments and for responsibility-sharing arrangements with respect to possibly duplicative Public Way repair and restoration projects. The incomplete efforts to establish more efficient cooperation arrangements with PGL are at greater risk in a

reorganization. PGL's ratepayers (also tax-paying City residents) need the Commission to exercise its authority to protect those consumers, by assuring efficient, cost-effective construction management and performance in the decades-long, expensive AMRP project.

It is vital that neither PGL nor CDOT waste the resources collected from the City's hardworking residents through utility bills or taxes.

III. CDOT and CDOT Regulations

Q. What is CDOT's role in connection with AMRP and other PGL construction activities?

A. Our goal is to effectively manage, through project programming and project design, the maintenance and capital rehabilitation of the City's transportation infrastructure. CDOT is responsible for managing this infrastructure, while also providing for the safe and efficient movement of pedestrians, cyclists and vehicles within the Public Way, which includes over 4,000 miles of public streets in the City.

Q. What is the specific role of the CDOT organizational unit you manage that oversees underground construction?

A. The Office of Underground Coordination ("OUC") is the distribution agency within CDOT for all requests regarding existing utility information (Information Retrieval or "IR") and for the review and approval of construction work in or adjacent to the Public Way (Existing Facility Protection or "EFP"). The OUC is thus responsible for the protection of the City's surface and subsurface infrastructure from damage due to planned

153 construction, installation, and maintenance projects. The OUC is made up of over 25
154 members who review IR and EFP documents to determine the effect on existing facilities
155 or specific requests for construction in or under Public Ways within the City.

156 **Q. What is the role and content of CDOT's Regulations regarding the Public Way?**

157 A. These regulations are meant to protect the Public Way from the various uses and abuses
158 performed on them every day. In addition, they are the City's principal means of
159 establishing an efficient process for coordinating work in, on, or under City streets while
160 avoiding disruption of public use, unnecessary repeated street cuts, and wasteful
161 construction expenditures by the City and other users of Public Ways.

162 As a result of the lengthy history of abuses by Public Way users, CDOT determined that
163 specific regulations were needed to clarify what the City's ordinances required, to give
164 notice to occupiers of the Public Way regarding of the abuses that would not be tolerated,
165 and to deter activity that imposes costs on taxpayers in the form of street resurfacing, loss
166 of use for licensed traffic, and other various hazards and impositions. Chapters 10-20 and
167 10-30 of the City of Chicago Municipal Code govern any opening in, and any pavement
168 construction or repair in, the Public Way. Chapter 2-120-300 may also apply in the event
169 that OUC approval is required. After no change in CDOT's regulations since 2007,
170 regulations under these ordinances were promulgated in 2012 and 2014.¹

¹ 2012:

<http://www.cityofchicago.org/dam/city/depts/cdot/Public%20Way%20Regulations/PublicWayRegsFINAL.pdf>;
2014:

<http://www.cityofchicago.org/content/dam/city/depts/cdot/Construction%20Guidelines/CDOTPublicWayRulesRegs2014.pdf>

Q. What is the process that must be followed by any entity desiring to make an opening in the Public Way?

A. It is the responsibility of any person planning to make an opening in, or to perform construction or repair of any pavement in, the Public Way to obtain a Public Way work license from CDOT prior to their actions. These licenses can be applied for at any time in the year and are valid until December 31st of that year. These licenses can be suspended for repeated notices of permit or ordinance violations. In addition to the Public Way license, each particular opening or activity in the Public Way requires a Public Way Permit from CDOT, which specifies coordinated dates for the licensed activity. As always, it is the responsibility of any person to notify DIGGER 48 hours prior to any excavation in the Public Way for excavations deeper than 18 inches.

Q. When were CDOT's Public Way regulations established or most recently modified?

A. The previous iteration of CDOT's regulations regarding the Public Way were promulgated in 2007. However, continued problems coordinating and regulating user (especially utility) activity in the Public Ways prompted significant revisions to the existing regulations.

Q. What changes were made to the CDOT Regulations in 2012?

A. The 2012 updates were finalized in June of 2012, and update the last regulations promulgated by the City in 2007. The revised 2012 updates to CDOT's regulations establish standard requirements and procedures for all users. They also provide flexibility to address extraordinary situations. Some of the major provisions for utilities operating in Public Ways include the following updates, changes, or clarifications:

- 193 • Requires Utility to obtain permit if work performed is for the benefit of
194 the Utility.
- 195 • Requires persons to enter into Asphalt Restoration Agreements for work
196 performed on:
 - 197 ▪ a Moratorium Street (any street newly constructed with a
198 concrete surface/base within the last 10 years or resurfaced
199 with asphalt within the last 5 years plus Streetscape and
200 Landscaped Median streets);
 - 201 ▪ an emergency basis; and
 - 202 ▪ work that CDOT determines requires such an Agreement.
- 203 • Requires degradation fee to be assessed by the City for any project
204 involving cuts or trenches on a Moratorium Street in addition to fees for
205 obstructing the Public Way.
- 206 • Requires submission of project plans; design drawings and specifications;
207 as-built drawings (upon request); standards; and procedures to be used on
208 the permitted project.
- 209 • Requires project signs denoting permitted work, contact name, phone
210 number, and electronic contact information.
- 211 • Requires photographing and restoration of all appurtenances within the
212 limits of the permitted locations, including but not limited to vegetation,
213 planters, signs, poles, courtesy walks, carriage walks within 30 days of
214 project completion.

- 215 • Requires certain methods to break concrete base material by using certain
216 procedures, tools, and materials in order to prevent damage to utilities
217 beneath street pavements.
- 218 • Requires plating or decking of all arterial street openings during off-work
219 periods with material safe for vehicles and/or pedestrians adequate to carry
220 the load and bedded to prevent rocking or movement. This was a
221 clarification of existing requirements.
- 222 • Requires replacement of sidewalk slabs and driveways whenever they are
223 removed. This was a clarification of existing requirements
- 224 • Requires compliance with currently applicable Federal, State and local
225 laws and regulations regarding accessibility standards for persons with
226 disabilities when work is performed under existing driveways, alleys, or
227 adjacent to street intersections where existing sidewalk is removed or
228 damaged due to construction.
- 229 • Requires specific depths of asphalt restoration for different types of
230 roadway classifications.
- 231 • Requires restoration to finished grade of all pavements within 14 days of
232 pavement removal, or completion of underground repair and/or
233 installations. This was a clarification of existing requirements.
- 234 • Requires crack sealing of the full perimeter of restoration for all private
235 utility cuts.
- 236 • Requires continental striping for crosswalks.

237 The objective of these measures was to increase coordination and compliance (especially
238 for heavy users like utilities). Accordingly, when PGL requested a grace period for full
239 compliance in 2012, CDOT responded with a written waiver of certain requirements,
240 proposed changes to the regulations to address PGL's stated concerns, commitments to
241 continue to meet to clarify certain other requirements, and immediate clarifications of
242 existing language in 2013. City/CUB Ex. 3.2.

243 **Q. What is CDOT's Project Coordination Office ("PCO")?**

244 A. The PCO is a joint City-User coordination office established in April of 2012. The PCO
245 was developed to improve on the coordination of projects which were previously
246 managed in information "silos." The PCO's establishment resulted from a need to
247 coordinate construction design reviews, permitting and inspection for projects in the
248 Public Way. The PCO continuously works with stakeholders to improve their internal
249 business processes, to minimize disruptions to businesses and citizens, and to maximize
250 the engineering design life of Public Way assets. The PCO facilitates communication
251 and collaboration and provides a directive to entities to coordinate the scheduling of all
252 work within the Public Way, for planning as well as daily operations. Along with CDOT,
253 The City's Department of Water Management – Water and Sewer Sections,
254 Commonwealth Edison Company ("ComEd"), Chicago Transit Authority, Chicago Park
255 District, Comcast, AT&T, and the City's Department of Cultural Affairs and Special
256 Events, PGL was invited as a major stakeholder in the PCO.

257 The PCO reviews five-year Capital Improvement Projects; distributes scheduling and
258 restoration conflicts and/or opportunities with stakeholders; maintains the integrity of the

OUC database; hosts weekly coordination meetings (“Focus Group Meeting”); develops Memorandums of Understanding (“MOU”) for restoration sharing amongst stakeholders; and offers a single site location with a calendar of conflicts among other duties. To be considered for permits, all projects must be provided to the PCO. Gas projects are given the highest priority of any private company in the coordination process.

The PCO also developed a CDOT Resolve Map to map all projects and a Sharepoint scheduling system to host all relevant documents. Conflicts are generated nightly. The issuance of permits is tied to the OUC and conflict resolution process.

Q. Have changes been made to the CDOT regulations after 2012?

A. In 2014, CDOT adopted additional provisions focused on increasing the accessibility to information of interest to potential Public Way users and to facilitate coordination between users and CDOT in construction planning and execution through the PCO. The goal of the 2014 update was to provide a convenient, user-friendly, searchable document that would allow quick access and standardized information to affected parties, hopefully leading to longer lasting infrastructure so as to reduce costs for taxpayers. The highlights of the 2014 requirements are described below:

- Requires that when any portion of a sidewalk slab requires removal for access to an underground facility, the entire slab must be replaced full width to the nearest joint. This is a clarification of an existing requirement.
- Requires improvement of curb ramps, alley aprons and sidewalks if an alley apron is encountered in the project limits.

- 280 • Requires replacement of entire corner when any portion of a non-compliant
281 existing ramp, keystone, transition panel or landing requires removal for access to
282 an underground facility. This was a clarification of an existing requirement.
- 283 • Auguring or directional boring around trees must be approved by OUC for work
284 in the parkway to install utilities. This was clarification of an existing
285 requirement.
- 286 • Requires removal or filling of structures and pipe in the Public Way to comply
287 with Illinois Department of Transportation standards for removal of existing
288 manholes, catch basins, and inlets.
- 289 • Requires differing levels of restoration for destructive coring versus non-
290 destructive coring of pavement surfaces. This is a clarification of an existing
291 requirement, added for the benefit of PGL “keyhole technology.”
- 292 • Requires professional signage for construction in the Public Way in order to
293 properly notify pedestrians, motorists and other users of the Public Way. This
294 was a detailed clarification of existing requirements.
- 295 • Requires particular types of backfill for different levels of openings.
- 296 • Requires more stringent restoration specifications if two or more separate
297 openings occur within 150 feet or three or more openings on one block of each
298 other by the same utility within a 2 year period. This was a clarification of
299 existing requirements, timeframes were updated.
- 300 • Requires different types of restoration based on asphalt or concrete and street
301 classification instead of blanket requirements, including reduced depth of asphalt
302 restoration that could cut asphalt costs in half (reduction of binder course).

- 303 • Requires best practices of ramping, recessing, or locking plates in the Public Way.
304 This also required specific orientation of plates to not obstruct bicycle travel
305 paths. A detail was added to require identification of ownership on plating in the
306 Public Way. This change also limited the use of plywood plating to grassy
307 parkway.
- 308 • Added two different classifications of crack-sealing, one for maintenance and one
309 for sealing perimeter joints.
- 310 • Additional clarification was provided for pavement markings, including reference
311 to IDOT specifications.
- 312 • Clarified what was previously required for all OUC submittals.
- 313 • Required PE Stamp, Maintenance of Traffic (“MOT”), Restoration Sheets, and
314 CADD standards for all OUC submittals.
- 315 • Offered checklist of requirements for all OUC submittals, permits, and
316 construction standards in order to facilitate compliance with CDOT regulations.
- 317 • Requires that all pavement openings be restored “base to grade” within 7 days of
318 pavement removal. Requires milling, asphalt placement, and striping to be
319 completed so as to open the Public Way to traffic within 14 days of “base to
320 grade” completion. These are clarifications of existing requirements.
- 321 • Requires that any pavement openings that could not be fully restored prior to
322 asphalt plant closings for the winter season to be restored by May 31st of the
323 following calendar year. This was a clarification of an existing requirement.
- 324 • Clarified requirement for concrete alley aprons.

- Provided work process explanation to facilitate compliance with CDOT regulations.

Under these regulations, the typical permit length for any occupier of the Public Way is thirty days, with a maximum two week extension. In order to ensure that the regulations were reasonable, CDOT solicited input from PGL, including a list of information PGL would like in any regulation updates as early as September 2013.

Q. What claims have the JA made with respect to CDOT's regulations?

A. According to the Joint Applicants, the alleged costs associated with the 2015 Test Year used in the rate case currently under consideration by the Commission do not include the 2014 updates. CUB Ex. 3.1 (JA DRR to City 4.05). This opens the door to the distinct possibility of further rate increases that City-CUB witness Mr. Gorman will discuss in his testimony to be submitted next week. Although PGL has identified seven categories of costs that allegedly have increased due to the CDOT regulations, according to the JA, "Peoples Gas does not track costs at a level of detail that corresponds to the seven categories in this request [the same categories PGL identified]. For example, while it may be able to identify its total restoration costs, it does not have the information to identify the costs attributable to expanded restoration requirements for street openings." CUB Ex. 3.1 (JA DRR to City 4.06). Nor, according to PGL, does the utility develop budgets at this level of detail. CUB Ex. 3.1 (JA DRR to City 4.07). Nonetheless, PGL has purported to forecast category cost increases, even though they claim not to track those categories of costs.

IV. COORDINATION BETWEEN CDOT AND PGL

Q. Please describe the process through which CDOT and PGL are supposed to coordinate construction plans?

A. At a high level, the PCO requires five year construction plans to identify conflicts and opportunities for project coordination to reduce costs, delays, redundant work, and other waste or inefficiency. Importantly, Integrys Business Services Gas Engineering – Distribution Design personnel provide five year Capital Improvement Projects lists to the CDOT Project Coordination Office, as required by CDOT regulations. CUB Ex. 3.1 (JA DRR to City 3.05). It is my understanding that personnel from Integrys may be affected by the proposed reorganization, since those staff members are not employees of PGL.

The PCO also collects annual construction schedules from all licensed occupiers of the Public Way.

On a monthly basis, CDOT meets with PGL Construction Planning Group personnel, including PGL General Managers. They attend monthly meetings to discuss issues and progress for all PGL Capital and O&M construction projects. CUB Ex. 3.1 (JA DRR to City 3.05).

On a weekly basis, Integrys Business Services Gas Engineering – Distribution Design personnel attend the City of Chicago Department of Water Management (“DOWM”) In-House/PC/TA Construction Utility Coordination Meeting to identify existing facility protection, relocation and/or replacement and to receive updated sewer schedules. CUB Ex. 3.1 (JA DRR to City 3.05). In addition to the DOWM meeting, PGL Construction Planning Group personnel attend the weekly Focus Group Meeting to discuss weekly

369 conflicts listings provided by the CDOT PCO. CUB Ex. 3.1 (JA DRR to City 3.05).
370 Furthermore, CDOT has instituted a PGL permit meetings on Tuesdays, which is not
371 done with any other utility. PGL has also been invited to the City's weekly Traffic
372 Taskforce meetings with OEMC to discuss road closures and reroutes for various
373 purposes.

374 On a daily or as-needed basis, Integrys Business Services Gas Engineering – Distribution
375 Design personnel review third party OUC Existing Facility Protection submittals for
376 conflict with existing PGL capital projects. CUB Ex. 3.1 (JA DRR to City 3.05).

377 To PGL's credit, the utility has participated actively in these various meetings when
378 requested by the City. Active participation is crucial to providing the value such
379 coordination is intended to deliver.

380 **Q. What have the JA committed to with respect to coordination with the City for**
381 **construction activities in the Public Way?**

382 A. When asked to provide specific actions anticipated to flow from WEC Energy Group's
383 commitment to "ensure that Peoples Gas works to coordinate with the City of Chicago in
384 the execution of the AMRP" that are different from PGL's current efforts, all WEC could
385 offer was to review the current audit and "consider" adoption of recommendations
386 concerning coordination with the City. CUB Ex. 3.1 (JA DRR to City 2.12). In my
387 opinion, this commitment is weak to begin with, and it is subject to conditions and
388 caveats to the point of being meaningless. Moreover, it provides no insight for the
389 Commission to be able to conclude that approval of the reorganization would leave

PGL's ratepayers better off or that their interests would be protected without sterner Commission construction and AMRP requirements.

PGL should be coordinating fully with the City today. It should not take an audit, the results of which will be "considered" by PGL and/or its parent, for PGL to have a working relationship with the City that includes communication, schedule sharing, and cooperation. CUB Ex. 3.1 (JA DRR to City 2.31). If PGL is waiting on an audit to perform these tasks, the Commission should be seriously concerned that AMRP is not being, and will not be, managed in the public interest.

Q. What is your opinion on PGL's current coordination with the City?

A. PGL's performance has been poor. Even PGL admits in its Monthly AMRP Reports that it identifies as one of the "Major Risks" its "Poor communications with City and elected officials impacting schedule." That level of performance in a stable organizational environment raises significant concerns about the direction of changes in coordination during and after the proposed reorganization. WEC's "commitment" merely to "consider" coordination related recommendations from an incomplete audit that may or may not address the concerns detailed by the City exacerbates the situation. If the Commission approves the reorganization, the Commission also must act to prevent further disruption of PGL's already dysfunctional coordination performance and elevate the current level of performance. I note that the JA's proposed commitment to continue day-to-day operations as they are performed today is far from adequate.

412 **V. PGL’S PERFORMANCE ON CONSTRUCTION IN THE PUBLIC WAY**

413 **Q. Are your concerns limited to the ineffectiveness of PGL’s participation in the City’s**
414 **coordination processes?**

415 A. No. As I suggested earlier, the poor level of performance in PGL’s construction activities
416 themselves has immediate cost consequences for PGL ratepayers and for Chicago
417 taxpayers. Quality of service impacts, if any arise, may become known only later.

418 **Q. What is your opinion on PGL’s performance on construction activities in the Public**
419 **Way?**

420 A. PGL’s performance has been poor. In addition to the violations of applicable regulations
421 and permit conditions I will discuss later, in my opinion, PGL has failed to take
422 advantage of management efficiencies provided for in the CDOT regulations and through
423 the PCO process. If PGL were to take advantage of those opportunities, it would have
424 the ability to perform work as scheduled and budgeted without having to ask for
425 additional revenues from ratepayers.

426 **Q. How significant is the magnitude of PGL’s work in the Public Way?**

427 A. The table below illustrates the relative magnitude of PGL’s work in comparison to that of
428 other persons or entities opening the Public Way:

429

430

431

Table 1 – PGL SHARE OF PERMITS ISSUED

YEAR OF ISSUANCE	TOTAL NUMBER OF PERMITS ISSUED	NUMBER OF PERMITS ISSUED TO PEOPLES GAS
2014 (through 10/22)	107,957	12,889
2013	126,179	15,316
2012	121,041	15,006
2011	111,780	13,031

As the chart data demonstrate, in recent years PGL has accounted for about one-eighth of permitted Public Way activities annually.

Q. How often does PGL’s construction violate permit conditions or applicable ordinances and regulations?

A. The fines and penalties associated with these non-compliant activities have regularly amounted to thousands of dollars each month. The 2012 total was over \$300,000. The 2013 total was even greater (more than \$430,000), with fines and penalties for non-compliance exceeding \$50,000 in some months. Those amounts do not include costs to the City or other users of the Public Ways from PGL’s non-compliant construction activities. City-CUB Ex. 3.3.

447 **Q. In what way are permit conditions violated?**

448 A. Often this would involve failing to adhere to the dates of scheduled work in the permit.
449 One Alderman has had to deal with PGL projects in his Ward for the last four years. This
450 means four years of parking, traffic, and pedestrian impacts for ratepayers. In addition to
451 impacting residents, failure to adhere to scheduled permit timeframes has an impact on
452 other PGL projects, on other utility projects, and on public improvement projects. PGL's
453 inability to adhere to schedule is not just a minor inconvenience; at least 314 PGL
454 locations were carried over from 2011 to 2012. City-CUB Ex. 3.4. PGL includes
455 amounts in their AMRP budgets and plans submitted to CDOT that are not consistent
456 with their historical performance capabilities, possibly even anticipating that they will not
457 complete work in the permitted timeframe. CUB Ex. 3.1 (14-0225 PGL DRR to City
458 1.17(b)).

459 **Q. In addition to failing to adhere to permit conditions, how else does PGL violate the**
460 **City's ordinances or CDOT's regulations?**

461 A. On multiple occasions, PGL or their contractors have performed work in the Public Way
462 without permits. In one instance, PGL had shutdown the northbound lanes of Racine
463 Avenue north of Madison Street, without any permission from the City. Without
464 management of construction activity that is adequate to assure application for a permit,
465 there is no way for CDOT to effectively coordinate multi-entity construction projects.
466 Additionally, in many instances PGL's construction work has deviated from the designs
467 submitted for approval. In one particular instance, this is the communication we received
468 from PGL's personnel:

As much as we would like to install the main as designed we feel that we cannot complete the project as was submitted for OUC approval. To insure [sic] that the main is up and operational for the winter the decision was made to just replace the valve cluster (replace in place) in order to complete this work in a timely manner.

This deviation from design creates potential issues for other users and occupiers of the Public Way. It also provides an example of a decision made “on the fly” that renders much of the meeting, planning, and communication a waste. It does not matter how well we coordinate if the work being performed in the field does not adhere to what was agreed to and communicated to other Public Way users. Since 2011, PGL has submitted changes to their initially provided schedules for 2,606 projects. City-CUB Ex. 3.5.

Q. What can be done to mitigate some of the harms caused by PGL’s failure to adhere to its schedule?

A. PGL needs to submit realistic construction schedules to the PCO. Whatever the cause of PGL’s failures, other entities’ attempts to coordinate their own construction with PGL construction activity and CDOT’s efforts to avoid repeated street openings and premature pavement deterioration are adversely affected, with costs PGL does not absorb. In addition, PGL must communicate to CDOT what work will not be completed within the scheduled timeframe, as well as what PGL plans to finish, as soon as a change occurs and no later than 24 hours after it is approved by PGL. A more accurate schedule would also obviate the need for permit extensions or re-permitting of the same location multiple times. This should reduce costs and allow for better inter-project coordination.

Q. Can you provide any other examples of wasteful work?

A. Yes. On multiple occasions, PGL has applied for permits that were not needed due to clerical error. In one instance, PGL’s contractor paved with a concrete mix that was laid

down on the Public Way when the temperatures were below standard, requiring a re-do of the whole job. As explained in the regulations above, any work in a moratorium street requires payment of degradation fees. Since July 2012, PGL has paid the City \$12,615,425 in degradation fees. City-CUB Ex. 3.6. Although CDOT has the ability to charge PGL for occupying the Public Way in these instances, CDOT has worked with PGL to minimize these costs by optimizing the footage and duration of their projects. Since PGL does not seem to adhere even to its own Main Ranking Index (“MRI”) as an absolute prescriptive schedule, I am not sure why they would not have the flexibility to schedule less work in moratorium streets. The table below shows how a significant amount of PGL’s construction work in the Public Way takes place in moratorium streets:

Table 2 – PGL SHARE OF CAPITAL IMPROVEMENT PROGRAM (“CIP”) PROJECTS IN MORATORIUM STREETS

Year	Number of PGL CIP Projects in Active Street Resurfacing Moratoriums	Total Number of PGL CIP Projects (AMRP, Corrosion, Etc.)	% of PGL CIP Projects in Active Street Resurfacing Moratoriums
2011	103	295	35%
2012	155	249	62%
2013	521	946	55%
2014	1363	2268	60%

On other occasions, PGL has submitted requests for permits for locations in which PGL had completed work in the recent past. This indicates a lack of record-keeping,

communication, or possibly both. Moreover, this indicates a lack of coordinated planning within PGL that could easily get worse in a reorganization, unless preventive measures are ordered by the Commission.

Q. How can the Commission be sure that the costs incurred because of non-compliant work are not borne by ratepayers?

A. I am not sure how. PGL appears to believe it has the ability to protect ratepayers from these costs by requiring their contractors to bear the costs of any repairs made to fix non-compliant work for which PGL determines that the contractor is at fault for not adhering to PGL specifications or CDOT regulations. However, Peoples Gas Contract Administration inspectors inspect only 3% of the repairs made by contractors to determine whether a restoration contractor is at fault for not adhering to Peoples Gas' specifications or CDOT regulations. CUB Ex. 3.1 (JA DRR to City 4.08). In 2013, PGL found that the contractor was at fault for only 5% of the notices of violation issued by the City to PGL or its contractors. *Id.* I am not sure what happens to the costs associated with the other 95% of notices. With this level of performance, the proposed commitment to continue operations as they are today does not give us great comfort.

Q. What actions has CDOT taken to enforce the permit conditions, City ordinances, and CDOT regulations?

A. My inspectors in the field issue citations to PGL, which are prosecuted through the City's Department of Administrative Hearings ("DOAH"). Each citation is documented with field notes and photographs. Below are a few photographs taken by CDOT inspectors in connection with citations issued to PGL:

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531

Figure 1 – PGL VIOLATIONS



532



533

534

The above photographs depict improper signage and barriers for a sidewalk opening

535

for which CDOT inspectors issued a citation for failure to close the sidewalk, in

536

2013.

537

Figure 2 – PGL VIOLATIONS



538

539

The above photograph depicts an improper plating of a sidewalk for which CDOT

540

inspectors issued a citation for failure to plate the sidewalk opening, in 2013.

541

Figure 3 – PGL VIOLATIONS



542

The above photograph depicts an improper restoration of an opening on Michigan Avenue for which CDOT inspectors issued a citation for failure to restore an opening, in 2013.

Q. How many citations for ordinance violations has the City prosecuted against PGL?

A. The following chart depicts the results of ordinance violations prosecuted against PGL by the City. Since 2011, PGL has been issued 3,265 ordinance violation citations by CDOT inspectors. City-CUB Ex. 3.7. Of these 3,265 citations, PGL has either pled or been found liable over 78% of the time. The City has assessed \$961,450 in fines against PGL for these citations.

Table 3 – PGL VIOLATIONS AND FINES 2011-2014

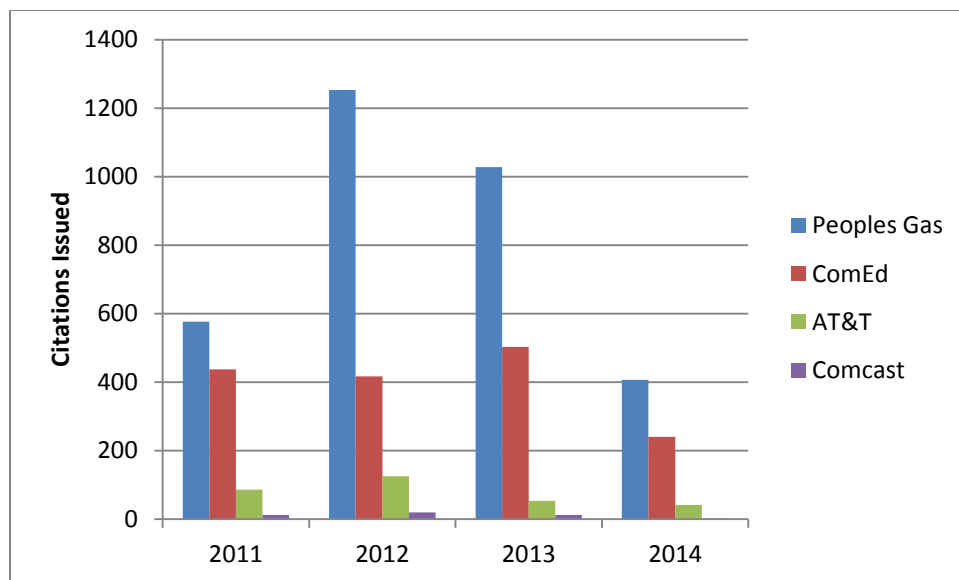
Year	Violations	Liable	Non-Suit	Fines Assessed
2014 (Through 11/10)	407	358	47	\$78,350
2013	1028	881	143	\$371,800
2012	1253	941	309	\$365,300
2011	577	396	181	\$146,000

It should be noted that the number of ordinance violation citations does not necessarily equal the number of hearings scheduled, as some violations are continued or consolidated with others. In addition, the citations included in the figures above are only those issued by CDOT inspectors, the table does not include citations issued by other City departments.

Q. How does PGL's citation performance compare to that of other users of the Public Way who have significant construction activities?

A. It is poor. The bar graph below illustrates PGL's performance relative to the next three highest entities in terms of citations issued by CDOT's inspectors:

Figure 4 – COMPARATIVE CITATIONS 2011-2014



As depicted in the bar graph above, PGL is cited for a significantly higher number of ordinance violations than the next three highest entities. Since 2011, PGL has been cited 67% more than the **next highest three violators combined**. In 2012, PGL received more than three times the number of citations than the next highest offender. In 2013, PGL received more than twice the number of citations than the next highest offender. The Commission should act to prevent the behavior that generates these costs for PGL and others, especially if it will be caused or exacerbated by a reorganization. In any case, the Commission should ensure that ratepayers do not shoulder the costs of fines for these citations or the costs of remedial work associated with these citations. Even if PGL

maintains that its contractors absorb these costs, the Commission should ask whether these costs are passed through to ratepayers due to bidding behavior that anticipates such costs, and whether the inspections of contractor performance required to capture errant contractor behavior will improve enough to be effective and actually happen in a reorganization scenario.

VI. CDOT's EFFORTS TO ACCOMMODATE PGL

Q. Does CDOT really expect perfection from Public Way users with as much activity as PGL?

A. No, of course not. Any organization occasionally encounters extraordinary situations that merit an accommodating response. The CDOT regulations permit some flexibility in their application, and we have exercised such flexibility generously to help PGL deal with some of the problems PGL has encountered. However, PGL's Public Way construction performance goes beyond what the City can fix with such special treatment.

Q. What is a Memorandum of Understanding ("MOU") under CDOT's regulations and how does it apply to Public Way construction?

A. Cooperating Public Way users (like the PGL Construction Planning Group) can develop a Memorandum of Understanding agreement to share responsibilities. For example, PGL and a third party may have work that can be coordinated to obviate redundant performances of the same restoration requirements. CUB Ex. 3.1 (JA DRR to City 3.05). When such an agreement has been reached, PGL might be excused from an otherwise applicable regulation requirement because the other cooperating user will fulfill that

requirement upon completion of work it is scheduled to perform the week following PGL's scheduled completion of work in that location.

One item that is shared frequently is the requirement to replace all four ADA ramps at each intersection that a user's work affects. That work is usually shared with the City's Arterial Resurfacing ("AR") Program. CDOT has also allowed PGL, on multiple occasions, to be excused from full restoration of a street, in anticipation of later restoration by the City's AR program. If properly managed and communicated, allowances such as these should lead to efficiencies and reduced paving and restoration costs for PGL and its ratepayers, as well as the City and its taxpayers.

Q. How does the MOU agreement reach the workers in the field?

A. From our observations of PGL performance, it is not clear to CDOT whether PGL has a process in place to convey the information contained in these MOUs to PGL's contractors in the field. This means that, even if CDOT and PGL agree on what work PGL is required to perform, the actual personnel on the ground completing the work may not be fully informed on those requirements.

One example that illustrates CDOT's problematic management of this facilitation process involved a project on Laramie Avenue. After not receiving actionable information through the normal communication channel, CDOT had to contact Mr. William Evans (President of PGL at the time) to obtain timely and accurate information on the project. In response, CDOT received the following admission - "As for the Laramie MOU, I am sorry to say that we failed to communicate effectively internally on this one."

617 **Q. Has CDOT tried to assess the effectiveness of the MOU process?**

618 A. Yes, in response to the Laramie MOU, CDOT conducted an audit of MOUs that various
619 agencies have entered into with PGL. In 2014, CDOT conducted an audit of 11 MOUs
620 agreed to with PGL in 2013. That audit found that PGL's restoration work under 9 of the
621 11 MOUs was not performed to the specifications agreed to in the MOU. With that kind
622 of a record, it is hard to rely on the MOU to coordinate work with PGL to avoid waste
623 and reduce inefficiency.

624 **Q. Has CDOT, on occasion, waived ordinance or regulation requirements for PGL or**
625 **other users?**

626 A. Yes, on multiple occasions CDOT has worked with Public Way users to assist their
627 compliance efforts or to recognize circumstances that preclude timely or full compliance.
628 For PGL, CDOT waived the requirement for specific types of construction drawings that
629 would be required for six months. CDOT has also delayed the requirement that PGL
630 grout abandoned piping. CDOT allowed PGL to use key hole coring technology to avoid
631 degradation fees. CDOT waived certain requirements related to joint sealing in 2013.
632 CDOT allowed PGL to procure restoration agreements for moratorium streets after
633 permit issuance. CDOT has also waived degradation fees for new cuts into recently
634 resurfaced streets when PGL needed to access a test station or valve box. CDOT
635 provided waivers to PGL for almost a year's worth of OUC engineering design
636 submittals in 2014. This list of accommodations is not exhaustive. The performance
637 deficiencies described earlier occurred despite CDOT's accommodations.

638

639 **Q. Has CDOT accommodated PGL's permitting needs?**

640 A. Yes. As shown in Table 1, PGL requires a large number of permits, especially in
641 connection with its AMRP. CDOT has been flexible in its permitting to meet PGL's
642 needs. Normally, permits last 14 to 30 days. CDOT issued 90 day permits for work that
643 should be performed, according to PGL's own calculations, within 30 days of permit
644 issuance. The table below shows the number of excavation permits issued to PGL by the
645 number of days the permit was active:

646 **Table 4 – PGL PERMIT PERIODS**

Number of Days	2011	2012	2013	2014 (though 10/26)
30 Days or less	8,574	10,724	11,464	13,600
31 to 60	2,121	3,051	3,306	4,994
61 to 90	910	1,852	3,205	4,667
91 to 120	535	1,356	2,548	7,085
121 to 150	460	424	2,980	545
151 to 180	439	1,128	2,811	660
181 to 210	954	2,002	495	38
211 to 240	1,876	1,400	275	11
241 to 270	281	2,033	384	3
271 to 300	126	2,455	4	0
301 to 330	34	2,241	1	0
331 to 365	31	208	10	0
Over 365	0	22	0	0

647

648 The table above illustrates that a majority of permits were active for 30 days or less in
649 only one year – 2011. Since then that percentage has hovered around 40%. In total over
650 the past four years, 57% of permits issued to PGL have been active for longer than 30
651 days. Despite these permitting accommodations, PGL has numerous permit violations
652 for work outside the permit period.

653 **VII. EFFECT OF PGL’S PERFORMANCE ON THE CITY**

654 **Q. What are some of the effects of PGL’s construction performance that you or your**
655 **team has observed on City residents?**

656 A. There are obvious beneficial effects of certain activities like moving meters from inside
657 to outside residents’ homes, if they are properly managed. However, on the whole,
658 Public Way construction imposes many burdens on residents. Even if PGL’s program
659 were managed well, it would still impose burdens on residents in the form of loss of
660 Public Way use, increased traffic, greater noise, possible dust, and all the other headaches
661 that can accompany heavy construction activities. When managed improperly, the effects
662 can be even worse. City-CUB Ex. 3.0 Appendix A contains a sampling of photographs
663 taken by CDOT inspectors that depict the various burdens that PGL’s construction
664 activities impose on City residents. While sloppy restoration work may not trouble the
665 Commission a great deal, it is symptomatic of management deficiencies that can have
666 real negative consequences on the infrastructure subject to the Commission’s jurisdiction
667 (pipes, mains, laterals, etc.). These impositions include, but are not limited to,
668 obstruction of the Public Way; damage to streets, sidewalks, parkways, and alleys;

creation of hazardous conditions for pedestrians; and interference with other Public Way functions, such as drainage.

Q. What are some of the effects of PGL’s construction performance on City residents that PGL’s records document?

A. Since 2011, there have been at least 139 “cross bore situations” where PGL or its contractors were involved in possible damage to property not owned by PGL. City-CUB Ex. 3.8. At least 95% of those “situations” involved gassed mains. *Id.* Over that same time period, PGL or its contractors have paid \$1,026,270 to claimants, including several cases where the claimant had sustained 2nd degree burns and was alleging brain injury. City-CUB Ex. 3.9. This figure does not include at least six instances of alleged damage in which the sum total of damages are alleged to be in excess of \$5 million. *Id.* As of August 2014, PGL recorded 1,655 open construction complaints against the company. Of those 1,655, 210 (13%) complain about “Safety Concerns,” 706 (43%) complain about “Property Damage,” 674 (41%) complain about “Restoration,” and 10 complain about “No Parking.” It does not appear to me that PGL tracked this information for any other month and I am unsure why.

Q. What are some of the effects of PGL’s construction performance on City businesses?

A. Even if managed properly, PGL’s construction activities would impose burdens on City businesses, such as loss of traffic. When managed improperly, the activities can impose even greater burdens because they may lead to unpredictable consequences for businesses that rely on the Public Way for their own movements as well as those of their customers.

691 Additionally, improperly managed activities can lead to additional burdens, such as lost
692 operational functionality due to a water main break caused by improper opening or
693 restoration of the Public Way.

694 **Q. What are some of the effects of PGL's construction performance on the City itself as**
695 **a municipal corporation?**

696 A. PGL's performance can have a direct impact on other infrastructure activities scheduled
697 by the City's own departments. CDOT's large resurfacing program, AR, often is
698 negatively impacted by PGL's performance. Improper scheduling or communication
699 often leads to waste, as illustrated below:

700 **Figure 5 – PGL CUT IN NEWLY PAVED STREET**



701
702 The above photograph depicts a location where PGL was issued a citation for opening a
703 newly paved street. Properly coordinated activities would schedule the street cut before

the street was paved, obviating the need for PGL's later street opening, or at least allow parties to share the costs of proper restoration instead of incurring them twice separately.

On multiple occasions, the City has had to point out to PGL that its contractors cannot use open cut methods on the Public Way when only directional bore activity was authorized by the relevant permit. In at least one instance, a tree fell over and destroyed a vehicle where open cutting was used, but only directional boring was permitted.

Q. In addition to leading to possibly wasteful activities, how does PGL's performance affect the City as a municipal corporation?

A. PGL's inability to adhere to its schedule leads to delays and imposition of other costs on other infrastructure projects in the City. In one instance, because PGL was not able to adhere to the schedule contained in their permit (which was expedited for issuance in the first place), Illinois Department of Transportation ("IDOT") had to expend additional resources in order to move heavy equipment because of PGL's obstruction of the Public Way. At that same site one year prior, PGL's contractors had performed open cuts on the Public Way without permits allowing them to do so.

Inspecting, citing, and prosecuting the various violations is also a drain on City resources. When PGL occupies the Public Way for longer than it had scheduled, it can also limit the ability of emergency responders to use the Public Way to serve the City's residents and businesses.

The JA's testimony does not acknowledge the reality of these problems, casually assuring the continuation of current day-to-day operations, as though that level of performance were fully adequate.

VIII. PGL MANAGEMENT ISSUES

Q. How well has PGL managed its activities in the Public Way?

A. Poorly. One example has unfolded during this proceeding. In early 2014, CDOT met with PGL leadership and operational personnel to discuss the 2014 Public Way repair regulation updates. In that meeting, PGL provided CDOT with a forecast of how many Install Blocks PGL planned to undertake construction activities in for the next few years. City-CUB Ex. 3.10. Despite providing CDOT with forecasts for the number of Install Blocks for which PGL plans to undertake construction activities, the JA have claimed in this docket that “Peoples Gas does not forecast the requested information.” CUB Ex. 3.1 (JA DRR to City 4.14). At best, this shows a lack of communication and coordination between the various silos within PGL – which, in my opinion, is a management problem. At worst, this illustrates deliberate obfuscation and obstruction, avoiding accountability – which would be a more serious management problem.

Despite using the CDOT regulations as justification for requested rate increases from the Commission, in particular regarding the CDOT regulation requiring ADA Ramps, PGL admits that it “does not forecast the [number of ADA ramps that Peoples Gas expects to be restored or repaired due to AMRP-related construction activity].” CUB Ex. 3.1 (JA DRR to City 4.15).

Q. Given that contractors perform a large amount of PGL’s work in the Public Way, based on your observations, how well does PGL’s management communicate with its contractors?

747 A. Again, it does so poorly. On multiple occasions, CDOT has found that contractors do not
748 have a permit in hand despite CDOT having already issued the permit to PGL. On other
749 occasions, the City has had to point out the construction specification required for paving,
750 in particular the type of asphalt mix requirements (e.g. N50 versus N30, approved or non-
751 approved IDOT mixes), to PGL for them to direct their contractors to pour the right mix.
752 Policing PGL's contractors should not be CDOT's job.

753 **Q. How well has PGL management taken advantage of the coordination opportunities**
754 **offered by CDOT and the PCO?**

755 A. Even in instances where we believe that PGL has tried to coordinate projects with CDOT
756 and others, PGL's contractors have not been properly directed or managed to achieve the
757 conditions and timetables that would allow for effective coordination. In one instance,
758 PGL's contractors left debris, barricades, and concrete in the Public Way despite
759 explicitly coordinating timing with CDOT's AR program, in which CDOT had agreed to
760 split the cost of paving with PGL. This type of behavior indicates a lack of
761 accountability of the contractor to PGL and a lack of commitment of PGL's management
762 to reducing unnecessary project costs.

763 **Q. What level of management reserve does PGL use for AMRP?**

764 A. It is my understanding that PGL adds a 25-30% management reserve to AMRP projected
765 costs. CUB Ex. 3.1 (JA DRR to City 4.10). My experience has been with management
766 reserves of 6 or 7%. By PGL's own admission, the 25-30% reserve is above the highest
767 end of the range within the industry. "In industry, 5% to 20% contingency is generally
768 applied where the level of project definition is high and a detailed unit cost estimate has

769 been undertaken.” CUB Ex. 3.1 (JA DRR to Staff ENG 3.05, Attach 01). The large
770 contingencies may reflect the reality of (and the utility’s own expectations regarding)
771 PGL’s sub-par performance. In my opinion, this extremely high level may be
772 discouraging more accurate planning and budgeting, since there is a large cushion for
773 error. Ratepayers should not be paying extra to encourage imprecision in planning and
774 budgeting or to cover poorly managed AMRP construction activity.

775 **Q. What PGL management processes are in place to limit PGL’s exposure to fines, fee,**
776 **penalties, and other amounts for non-compliance?**

777 A. According to PGL, its Change Order process, along with the competitive bid process, is
778 what the Company relies upon to limit PGL’s exposure to fees, penalties, or other
779 amounts for non-compliance. CUB Ex. 3.1 (JA DRR to City 4.08). But the Change
780 Order rate experienced in 2012 was approximately a 38% increase to the original award.
781 CUB Ex. 3.1 (JA DRR to City 4.10).

782 Despite PGL’s claim that the Company and its ratepayers are protected from paying for
783 defective work by contractors through the warranty provided by contractors, PGL does
784 not track the number or percentage of instances where restoration or repair work was
785 found to be defective. CUB Ex. 3.1 (JA DRR to City 4.08).

786 **Q. How does PGL’s management of its various divisions performing work in the Public**
787 **Way affect CDOT’s ability to effectively manage access to and use of the Public**
788 **Way?**

789 A. It is my understanding that, after opening the Public Way but before full restoration is
790 complete, PGL intends to use its own employees to conduct meter moves and

791 replacements. However, the inability of management to properly staff and schedule the
792 metering crews has led to delays in restoration, which lead to delays in overall scheduling
793 for all projects in the Public Way. Given that there is a 63% difference in cost per
794 completed meter move between PGL's North Shop and PGL's South Shop, it appears
795 that management should be able to identify deficiencies and best practices that could
796 improve construction performance. PGL also should properly staff the metering crews
797 (including staffing with graduates of the Dawson Technical Institute program discussed
798 in Chris Wheat's testimony in City/CUB Exhibit 1.0) and consider instituting more
799 consistent standard practices in all geographic divisions.

800 As expressed before, it is my understanding that PGL does not rely on the Main Ranking
801 Index as the sole criterion by which PGL schedules AMRP projects. CUB Ex. 3.1 (JA
802 DRR to City 4.12). So, PGL's construction projects can be moved around to
803 accommodate the schedules of other PGL projects and other non-PGL projects without
804 endangering the integrity of PGL's gas main distribution system.

805 CDOT has expressed to PGL the need to accurately and timely track main retirements, in
806 order to ensure the accuracy of future OUC and permit requests by PGL or any other
807 entity doing work in the Public Way.

808 **Q. How else does PGL's improper management of its construction work in the Public**
809 **Way manifest itself to CDOT?**

810 A. The most frustrating manifestation is a lack of proper communication. I have managed
811 construction projects for over 30 years, I understand that things go wrong in the field. As
812 detailed above, the rest of CDOT and I have accommodated changing conditions and

plans. However, in order for CDOT to properly accommodate PGL, there needs to be proper communication of what is changing and what is not changing on a timely basis.

In one instance, PGL's admission accurately summarizes my frustration:

Unfortunately, we failed to communicate the status of these items to CDOT in an accurate and timely fashion. PGL recognizes that our failure to meet our commitments has strained our relationship with CDOT and will continue to work within our organization to resolve our restoration issues.

CDOT appreciates this candid recognition of problems. Recognition of the problem is an essential preliminary step, but at some point the problems must be corrected.

Another frustrating manifestation is a lack of proper record-keeping. This problem affects CDOT's ability to properly track progress and to determine the root cause of problems when they arise. The following admissions by PGL are just some instances of their lack of record-keeping and management weaknesses:

PGL does not maintain a list of the moratorium streets affected by capital or maintenance projects. CUB Ex. 3.1 (14-0225 PGL DRR to City 2.02)

PGL does not track the number of Install Blocks in which Peoples Gas or its contractors have undertaken construction activities related to AMRP. CUB Ex. 3.1 (14-0225 PGL DRR to City 2.04(a)) (a position stated in apparent ignorance of the fact that such information had recently been provided to CDOT).

PGL does not forecast the number of labor hours to carry out the implementation of the AMRP. CUB Ex. 3.1 (JA DRR to AG 4.15).

Q. How does PGL's improper management of its construction work in the Public Way manifest itself in the field?

A. In one instance, at 95th Street and Prairie Avenue, PGL's contractors utilized the wrong fittings, which required the same hole to be opened twice. This type of problem -- avoidable delays in project completion -- is not a minor exception. As of December 6, 2013, there were at least 36 locations identified with work that had begun in 2011 but still

was not completed. This means that, while most projects in the Public Way are permitted to last between 14 and 30 days, many of PGL's projects have lasted for **TWO YEARS**. This level of performance makes inter-project coordination difficult, if not impossible.

Q. How well does PGL's management coordinate construction work in the Public Way between its own various projects and divisions?

A. Very poorly. It appears to my staff that PGL's Corrosion personnel do not talk to its AMRP personnel. Precision in permit timeframes is required so that CDOT can schedule projects of multiple stakeholders in a predictable and consistent way. Put another way, if PGL fails to complete their work in the permitted timeframe, then that does not allow CDOT to issue permits to other entities for work that was planned to occur after the initial PGL permit was scheduled to expire. Instead of acting in accordance with this process designed to treat all users fairly, PGL's corrosion team submits permits to the City even if it does not have definite plans to begin construction work on or near the starting date for the permit. Moreover, PGL deliberately includes excessive timeframes for requested permits, sometimes seeking a seven **month** window, when PGL's own calculations show that the work to be done should only take seven **weeks**. Additionally, whether due to incompetence or willful disregard, PGL's Corrosion crews have been scheduled to work on dates and at times during which PGL's permits forbade that work. In one instance, the unpermitted work was performed on a street that was designated as a traffic re-route for IDOT work on the Kennedy Expressway. This is just one illustration of how PGL's failure to follow instructions affects every other entity attempting to perform work in the Public Way in the City. Although CDOT has the ability to not issue permits to utilities or other contractors when either has given CDOT reason to believe

they cannot follow permit requirements, CDOT has been reluctant to take that step because we, like the ICC, want to see the work completed. We are concerned, however, that the current level of construction management and construction performance, possibly exacerbated by a reorganization (if approved), will not efficiently and economically meet the safety and service needs of Chicago gas ratepayers.

Q. How does this lack of coordination lead to waste?

A. For example, PGL's Corrosion team requested a permit for 337 S. Leamington, a location where PGL finished AMRP work and repaving only 3 months prior. This indicates a lack of communication and coordinated planning within PGL, which would twice resurface a street for no good reason. Moreover, this lack of coordination reduces the confidence I or my co-workers can have in PGL's requests. Point in case, on Leamington, PGL was able to conduct the needed Corrosion work by going through a parkway valve where PGL could install an anode. This means the full permit was not even needed by Corrosion in the first place. To me, this sort of behavior indicates (in addition to ineffective management) a lack of enforceable cost controls sufficient to incent the type of planning that any company should undertake.

On multiple occasions, PGL's crews have had to open same hole three or four times in succession. In other instances, such as at Randolph and State, PGL's failure to timely schedule a construction crew meant that the narrow windows available for coordinated and cost-saving activity were wasted. In addition to failing to coordinate projects between AMRP and Corrosion, it appears to me and my staff that projects are not coordinated with leak response or new service requests either. Moreover, it appears that

PGL has no process to correct these problems on their own. It was not until CDOT requested it, in August of 2012, that PGL started to forward City Public Improvement work lists to the Corrosion team.

IX. WISCONSIN ENERGY'S PERFORMANCE AND CAPACITY

Q. What has WE stated with respect to implementing large infrastructure projects such as AMRP?

A. Not very much. Although WE has claimed that "Wisconsin Energy is experienced with successfully implementing and managing large infrastructure improvement projects," it does not seem to have fully investigated PGL's current problems or fully assessed its ability to provide the managerial support necessary to make AMRP successful.

To my great surprise, when asked about their due diligence efforts regarding AMRP, the Joint Applicants responded that "Neither WEC nor any other Joint Applicant requested PGL to provide a detailed work plan of the AMRP as part of its due diligence review." CUB Ex. 3.1 (JA DRR to AG 4.01). Neither does the Agreement and Plan of Merger address AMRP. JA Ex. 1.1. This is incredibly troubling from my perspective and fails to give the ICC confidence that AMRP will be properly managed and the interests of PGL's ratepayers protected.

Despite their claimed past performance and capacity, WEC has "no specific plans at the present time with respect to the use of WEC Energy Group's cash flows for the funding of Peoples Gas' AMRP." CUB Ex. 3.1 (JA DRR to City 2.22). Relying on long-distance management from an entity that takes such a casual approach to PGL's most important

907 infrastructure program cannot support a conclusion that the proposed reorganization is
908 certain not to diminish PGL's provision of safe and adequate service.

909
910 **Q. What has WE stated with respect to implementing its own large infrastructure**
911 **projects?**

912 A. WE claims it has successfully implemented and managed large infrastructure
913 improvement projects in urban areas, including \$9.1 billion worth of investments in gas
914 and electricity equipment between 2003 and 2013. JA Ex. 1.0 at 11. Although WE touts
915 its experience in Milwaukee, that does not give me confidence that PGL's AMRP will be
916 managed any better than it already is. WEC is unable to provide the costs for compliance
917 with Milwaukee's Public Way repair regulations; WEC does not track costs for fees,
918 fines, and penalties for noncompliance with those regulations; and WEC is not aware of
919 any fees, fines, or penalties paid for non-compliance with Milwaukee's regulations.
920 CUB Ex. 3.1 (JA DRR to City 4.04). The Joint Applicants also point out that "[t]here
921 were no material increases in costs claimed in WEC's latest rates cases that were directly
922 attributable to compliance with new regulations on infrastructure work in public rights of
923 way." CUB Ex. 3.1 (JA DRR to City 4.05). The complete lack of information regarding
924 costs for activity to comply with applicable regulations is itself troubling, and is in stark
925 contrast to PGL's recent compliance cost history, as presented in its rate cases before the
926 ICC, which is also disquieting.

930 **X. COMMISSION REMEDIES**

931 **Q. What should the Commission require of any of PGL's large construction project**
932 **scheduling in the Public Way?**

933 A. As a starting point, the Commission should require PGL to provide to CDOT a week by
934 week, block by block, schedule of all of their planned construction projects in the Public
935 Way for at least the next 52 weeks. My understanding is that PGL does not follow the
936 MRI as a definitive construction schedule. Given that the AMRP neighborhoods for
937 2015 and 2016 have been determined by PGL already, it should not be a problem to
938 provide a week by week block by block schedule. CUB Ex. 3.1 (JA DRR to AG 4.04).
939 The residents of Portage Park, South Austin, Beverly, Albany Park, Brighton Park, and
940 South Chicago – the neighborhoods targeted for the next two years - deserve to know
941 when PGL plans to construct in their neighborhoods, where they plan such construction,
942 and when they plan to leave.

943 **Q. What should the Commission require of any of PGL's large construction project**
944 **change orders in the Public Way?**

945 A. I understand that construction does not always go as planned. I appreciate the need for
946 and the utility of change orders. However, for CDOT to coordinate all large
947 infrastructure construction projects in the Public Way, it is essential that the content of
948 PGL's change orders be communicated instantaneously to CDOT, no later than 24 hours
949 after they are approved. This should not be a large burden with the electronic
950 communication technology available to all parties in this day and age. Timely and

accurate communication of change orders would allow CDOT to adjust scheduling and permitting for other projects and users in a time-effective manner.

Q. What substantive performance metrics should the Commission require for PGL's AMRP, to assure that this massive, Commission-ordered replacement of aged infrastructure is completed in a prudent, cost-effective manner?

A. CDOT has instituted detailed planning, permitting, meetings, coordination, and enforcement measures for all users of Public Ways. In the context of those procedures, CDOT has attempted, but failed, to successfully instill best practices and cooperative behavior in PGL's implementation of its AMRP. Even in today's stable organizational structure, something more is required to spur improvement. CDOT's experience demonstrates conclusively that to effect real change, there must be closer oversight by the Commission and there must be more at stake for PGL's shareholders. A reorganization (if approved) would require even greater management strides, from an organization that has yet to acknowledge the problems at hand and promises to continue the current poor management of the largest construction project in PGL's history. PGL's customers -- Chicago's residents -- deserve better.

The necessary management improvement cannot be accomplished through some simple, one-time action. The process of change and assessing the success of any changes require constant monitoring -- to identify specific problem areas and to verify improvement. From CDOT's perspective, the categories of performance listed below should be tracked, and PGL should be annually required to show measurable improvement in each category -- at least at the same pace that rates rise for PGL's ratepayers. So, for example, if in

2015 PGL's delivery service rates rise 4% year over year, then PGL's performance in each category should improve by 4% or more over that same time period. Any failure to improve at the required rate should require PGL's shareholders to bear the costs associated with the continued construction management deficiencies (e.g. if PGL improves their adherence to permit schedules by 3% but their rates rise by 4% in a given year, PGL's ratepayers should not have to pay the costs of imprudent management, the costs associated with 1% of the permit delays): These amounts would not be large in the context of PGL multi-million dollar expenditures for AMRP, but they would be known and tangible consequences for management inefficiencies that have persisted too long.

To protect the safety and service interests of Chicago's residents, the Commission should respond to the increased management challenges that would accompany any approved reorganization, by imposing a preventive regime of measuring and reporting key performance indicators, to enable close monitoring of PGL's construction management performance. The required monitoring should include the following items.

- i. Number of instances where PGL fails to adhere to the timeframes permitted in all permits issued for AMRP (being on schedule more often)
- ii. Dollar amounts for approved capital and O&M spend for AMRP (being on budget more often)
- iii. Dollar amounts for Change Orders associated with AMRP
- iv. Dollar amounts for Management Reserve associated with AMRP
- v. Number of Days needed to close Field Order Authorizations and Change Orders for AMRP projects
- vi. Number of AMRP contractor hits on all facilities

996 **Q. What training should the Commission require to help assure adequate staffing for**
997 **efficient completion of PGL's AMRP?**

998 A. As discussed further in Chris Wheat's testimony in City/CUB Exhibit 1.0, the
999 consolidated training for all of the new entity should occur at the training facility in
1000 Chicago. Moreover, the program at the Dawson Technical Institute should include
1001 specific training for AMRP related activities.

1002 **Q. Does this complete your direct testimony?**

1003 A. Yes it does.